

JOHN HANCOCK FINANCIAL OPPORTUNITIES FUND
Form N-CSR
March 02, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED

MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811- 8568

John Hancock Financial Opportunities Fund
(Exact name of registrant as specified in charter)

601 Congress Street, Boston, Massachusetts 02210
(Address of principal executive offices) (Zip code)

Salvatore Schiavone
Treasurer

601 Congress Street

Boston, Massachusetts 02210
(Name and address of agent for service)

Registrant's telephone number, including area code: 617-663-4497

Date of fiscal year end: December 31

Date of reporting period: December 31, 2017

ITEM 1. REPORTS TO STOCKHOLDERS.

John Hancock

Financial Opportunities Fund

Ticker: BTO

Annual report 12/31/17

A message to shareholders

Dear shareholder,

In the weeks following the close of the reporting period covered here, markets around the world experienced a meaningful rise in volatility. Stocks declined as investors reacted to higher bond yields and the prospect of rising inflation, even if that inflation was off historically low levels. While many in our asset management network believe the sell off will be temporary, it's likely the era of extremely low volatility is behind us for the time being.

Ultimately, the asset prices are underpinned by fundamentals, and those continue to appear supportive. There was no shortage of good economic news to report as 2017 came to a close. Unemployment remained close to historic lows, consumer confidence rose to a 17-year high, and the housing market continued to notch steady gains. In step with these signals of domestic economic strength, the global economy continued to move forward in a synchronized fashion, which has contributed to earnings momentum across both developed international and emerging markets.

In the United States, the recently passed tax reform appears poised to inject substantial stimulus into U.S. businesses at the same time that industry regulations are being rolled back across large swaths of the economy, including the systemically important financials sector. One moderating factor is the U.S. Federal Reserve's continued tightening of monetary policy. In mid-December, the federal funds rate was lifted by a quarter of a percentage point, the fifth such increase in the current cycle. While rising interest rates alone may not cause the economy to pull back, markets will be closely attuned to any suggestion that policymakers may quicken the pace of interest-rate increases in the year ahead.

While markets delivered undeniably strong results over the past year, it is important for investors to be cognizant of the downside risks. Your best resource in unpredictable markets is your financial advisor, who can help position your portfolio so that it is sufficiently diversified to meet your long-term objectives and to withstand the inevitable turbulence that accompanies any bull market.

On behalf of everyone at John Hancock Investments, I'd like to take this opportunity to welcome new shareholders and to thank existing shareholders for the continued trust you've placed in us.

Sincerely,

Andrew G. Arnott
President and Chief Executive Officer
John Hancock Investments

This commentary reflects the CEO's views, which are subject to change at any time. Investing involves risks, including the potential loss of principal. Diversification does not guarantee a profit or eliminate the risk of a loss. It is not possible to invest directly into an index. For more up-to-date information, please visit our website at jhinvestments.com.

John Hancock
Financial Opportunities Fund

Table of contents

2 Your fund at a glance
4 Discussion of fund performance
8 Fund's investments
15 Financial statements
19 Financial highlights
20 Notes to financial statements
29 Report of independent registered public accounting firm
30 Tax information
31 Additional information
34 Trustees and Officers
38 More information

ANNUAL REPORT | JOHN HANCOCK FINANCIAL OPPORTUNITIES FUND 1

Your fund at a glance

INVESTMENT OBJECTIVE

The fund seeks to provide a high level of total return consisting of long-term capital appreciation and current income.

AVERAGE ANNUAL TOTAL RETURNS AS OF 12/31/17 (%)

The S&P Composite 1500 Banks Index is an unmanaged index of banking sector stocks in the S&P 1500 Index.

It is not possible to invest directly in an index. Index figures do not reflect expenses and sales charges, which would result in lower returns.

The performance data contained within this material represents past performance, which does not guarantee future results.

Investment returns and principal value will fluctuate and a shareholder may sustain losses. Further, the fund's performance at net asset value (NAV) is different from the fund's performance at closing market price because the closing market price is subject to the dynamics of secondary market trading. Market risk may be augmented when shares are purchased at a premium to NAV or sold at a discount to NAV. Current month-end performance may be higher or lower than the performance cited. The fund's most recent performance can be found at jhinvestment.com or by calling 800-852-0218.

ANNUAL REPORT | JOHN HANCOCK FINANCIAL OPPORTUNITIES FUND 2

PERFORMANCE HIGHLIGHTS OVER THE LAST TWELVE MONTHS

A range of factors supported financial stocks

Rising interest rates, steady loan growth, loosening regulations, changes to U.S. tax policy, and robust merger-and-acquisition activity all helped lift financial stocks.

A regional bank focus hurt results relative to the index

The fund trailed a comparative index, the S&P Composite 1500 Banks Index, due to its underweight exposures to large banks, which outperformed.

Conditions remain supportive of banks and the global financials sector

We expect interest rates to continue to rise against a backdrop of improving global growth, brightening the profit outlook for banks and other financial companies.

PORTFOLIO COMPOSITION AS OF 12/31/17 (%)

A note about risks

As is the case with all closed-end funds, shares of this fund may trade at a discount or a premium to the fund's net asset value (NAV). An investment in the fund is subject to investment and market risks, including the possible loss of the entire principal invested. There is no guarantee prior distribution levels will be maintained and distributions may include a substantial return of capital. Fixed-income investments are subject to interest-rate and credit risk; their value will normally decline as interest rates rise or if a creditor, grantor, or counterparty is unable or unwilling to make principal, interest, or settlement payments. Investments in higher-yielding, lower-rated securities are subject to a higher risk of default. An issuer of securities held by the fund may default, have its credit rating downgraded, or otherwise perform poorly, which may affect fund performance. Liquidity the extent to which a security may be sold or a derivative position closed without negatively affecting its market value may be impaired by reduced trading volume, heightened volatility, rising interest rates, and other market conditions. The fund's use of leverage creates additional risks, including greater volatility of the fund's NAV, market price, and returns. There is no assurance that the fund's leverage strategy will be successful. Focusing on a particular industry or sector may increase the fund's volatility and make it more susceptible to market, economic, and regulatory risks as well as other factors affecting those industries or sectors. Derivatives transactions, including hedging and other strategic transactions, may increase a fund's volatility and could produce disproportionate losses, potentially more than the fund's principal investment.

Discussion of fund performance

An interview with Portfolio Manager Lisa A. Welch, John Hancock Asset Management a division of Manulife Asset Management (US) LLC

Lisa A. Welch

Portfolio Manager

John Hancock Asset Management

How would you describe the market environment for the financials sector during the 12 months ended December 31, 2017?

In the first half of the year, the financials sector delivered positive returns, but the momentum tied to tax reform and the potential for deregulation appeared to lose steam, causing investors to focus on other areas of the market. In the second half of the year, we saw the advent of a more positive environment for banks and the broader financials sector. In December, the U.S. Federal Reserve delivered a third interest-rate increase for the year, and this policy tightening underscored the improving backdrop for interest-rate-sensitive companies in the financials sector. The argument for an additional rate increase was grounded in a strengthening economy, including historically low unemployment.

The closing months of the period also saw a singular fiscal policy shift: the passage of comprehensive tax reform, which included the reduction of the corporate tax rate from 35% to 21%. Most financial companies are high-rate tax payers, so corporate tax reform should carry substantial benefits for the industry. In addition, the U.S. Senate Banking Committee introduced a bill that would ease regulatory requirements for banks with under \$250 billion in assets. If the bill is enacted by Congress, a much narrower group of banks is expected to be subject to the government's strictest scrutiny, carried out in the form of stress tests and onerous compliance requirements.

How did the fund perform during the period?

The fund underperformed a comparative index, the S&P Composite 1500 Banks Index, by a substantial margin for the year.

"In the second half of the year, we saw the advent of a more positive environment for banks and the broader financials sector."

What were the major detractors and contributors to relative results?

The single largest factor driving the fund's underperformance was the fact that the largest companies in the index—national banks such as Bank of America Corp., JPMorgan Chase & Co., and Citigroup, Inc.—performed much better than the small- and mid-cap banks, thrifts, and other finance companies on which the fund concentrated. The fund did have sizeable positions in some of these large banks, but the weights were much lower than those in the index.

As small- and mid-cap names generally underperformed during the year, many of the fund's detractors were stocks in these categories. One example was the stock of Independent Bank Corp., based in Rockland, Massachusetts. The stock had performed well following last year's election, but then, along with many other regional banks, the stock languished for much of 2017 as investors focused on more growth-oriented sectors and larger-cap stocks more generally.

On the positive side of the ledger, a strong contributor was the stock of Intermediate Capital Group PLC, a U.K.-based asset manager that specializes in private debt, credit, and equity. During the period, the company reported a surge in assets under management, including a record level of

INDUSTRY COMPOSITION AS OF 12/31/17 (%)

"Despite a sudden rise in market volatility in the weeks following the end of the period, our outlook for financials is strongly positive... "

assets from new clients, which helped the stock gain in value. Another positive contributor was the stock of Comerica, Inc., a regional bank with operations in Texas, Michigan, and California. Comerica is highly asset sensitive meaning the bank's commercially focused balance sheet is positively positioned for rising interest rates. Consequently, rising rates during the period had a positive impact on the company's net interest margin.

Were there any notable changes in the fund's positioning?

In the first half of the year, we added two small-cap banks to the portfolio through the companies' additional share offerings: Civista Bancshares, Inc. of Ohio and MidWestOne Financial Group, Inc., which is headquartered in Iowa.

Merger-and-acquisition activity in the banking sector was robust throughout the year. This generally had a positive impact on the portfolio, particularly later in 2017. In several cases, companies that we held were acquired, and once these deals closed, we maintained positions in the acquiring banks some of which netted new positions for the fund.

What is your outlook for the financials sector in the year ahead?

Despite a sudden rise in market volatility from historically low levels in the weeks following the end

TOP 10 HOLDINGS AS OF 12/31/17 (%)

JPMorgan Chase & Co.	2.7
The PNC Financial Services Group, Inc.	2.6
M&T Bank Corp.	2.5
Citizens Financial Group, Inc.	2.4
SunTrust Banks, Inc.	2.3
BB&T Corp.	2.2
Cullen/Frost Bankers, Inc.	2.1
U.S. Bancorp	2.1
Comerica, Inc.	1.8
KeyCorp	1.8
Total	22.5

As a percentage of total investments.

Cash and cash equivalents are not included.

of the period, our outlook for financials is strongly positive, and we believe there is an attractive set of total return opportunities across the sector. First and foremost, we think interest rates will continue to rise in 2018. Rising rates provide attractive revenue growth potential for the majority of financial companies.

Second, a healthy U.S. consumer and a benign environment for corporate investment should also offer a supportive backdrop for the sector.

Third, we see a supportive environment for deal-making and consolidation activity. Fourth, the U.S. government may be entering a multi-year period with easing levels of regulation as the leadership of several regulatory agencies focused on the financials sector have been replaced with potentially more financial-friendly alternatives. Fifth and last, we believe financial stocks are attractively valued when viewed with a long-term perspective. At the end of 2017, the price-to-earnings for the group was trading slightly below historical levels compared with the broad-based S&P 500 Index.

MANAGED BY

Susan A. Curry

On the fund since 2006

Investing since 1993

Lisa A. Welch

On the fund since 1998

Investing since 1986

Ryan P. Lentell, CFA

On the fund since 2015

Investing since 1999

The views expressed in this report are exclusively those of Lisa A. Welch, John Hancock Asset Management, and are subject to change. They are not meant as investment advice. Please note that the holdings discussed in this report may not have been held by the fund for the entire period. Portfolio composition is subject to review in accordance with the fund's investment strategy and may vary in the future. Current and future portfolio holdings are subject to risk.

ANNUAL REPORT | JOHN HANCOCK FINANCIAL OPPORTUNITIES FUND 7

Fund's investments
AS OF 12-31-17

	Shares	Value
Common stocks 103.5% (89.5% of Total investments)		\$713,155,989
(Cost \$360,539,989)		
Financials 102.2%		704,181,565
Banks 92.4%		
1st Source Corp.	121,706	6,018,362
Access National Corp.	67,142	1,869,233
Ameris Bancorp	226,471	10,915,902
Atlantic Capital Bancshares, Inc. (A)	241,667	4,253,339
Avidbank Holdings, Inc. (A)	200,000	4,790,000
Bank of America Corp. (B)	432,436	12,765,511
Bank of Commerce Holdings	40,374	464,301
Bank of Marin Bancorp	58,731	3,993,708
Bar Harbor Bankshares	129,698	3,503,143
BB&T Corp.	346,799	17,242,846
Berkshire Hills Bancorp, Inc.	338,903	12,403,850
Bryn Mawr Bank Corp.	80,000	3,536,000
Cambridge Bancorp (B)(C)	5,257	423,031
Camden National Corp.	55,164	2,324,059
Carolina Financial Corp.	70,982	2,636,981
Chemical Financial Corp. (B)(C)	217,502	11,629,832
Citigroup, Inc. (B)	49,519	3,684,709
Citizens Financial Group, Inc.	455,393	19,117,398
City Holding Company	39,363	2,655,822
Civista Bancshares, Inc. (B)(C)	43,240	951,280
Columbia Banking System, Inc.	119,363	5,185,129
Comerica, Inc.	167,706	14,558,558
Commerce Bancshares, Inc. (B)(C)	115,986	6,476,667
Communities First Financial Corp. (A)	115,523	2,258,475
Community Bank System, Inc. (B)(C)	38,226	2,054,648
County Bancorp, Inc.	62,184	1,850,596
Cullen/Frost Bankers, Inc. (B)(C)	178,964	16,938,943
DNB Financial Corp.	78,515	2,645,956
Eagle Bancorp Montana, Inc.	82,912	1,737,006
Equity Bancshares, Inc., Class A (A)	130,915	4,635,700
Evans Bancorp, Inc.	69,760	2,922,944
FCB Financial Holdings, Inc., Class A (A)	188,399	9,570,669
Fifth Third Bancorp (B)(C)	452,067	13,715,713
First Bancorp, Inc.	266,499	7,256,768
First Business Financial Services, Inc.	60,700	1,342,684
First Citizens BancShares, Inc., Class A	15,038	6,060,314
First Colebrook Bancorp, Inc. (D)	48,750	2,135,250
First Community Corp.	136,228	3,078,753
First Connecticut Bancorp, Inc.	202,450	5,294,068
First Financial Bancorp	146,045	3,848,286

8 JOHN HANCOCK Financial Opportunities Fund | ANNUAL REPORT

SEE NOTES TO FINANCIAL STATEMENTS

	Shares	Value
Financials (continued)		
Banks (continued)		
First Hawaiian, Inc.	160,968	\$4,697,046
First Merchants Corp.	118,683	4,991,807
First Security Group, Inc. (A)	83,942	2,245,449
Flushing Financial Corp.	139,050	3,823,875
FNB Corp. (B)(C)	706,188	9,759,518
German American Bancorp, Inc. (B)(C)	60,090	2,122,980
Glacier Bancorp, Inc. (B)(C)	201,918	7,953,550
Great Southern Bancorp, Inc.	40,257	2,079,274
Great Western Bancorp, Inc.	159,455	6,346,309
Hamilton State Bancshares, Inc. (E)	500,000	4,029,900
Hancock Holding Company	245,752	12,164,724
Heritage Commerce Corp.	371,642	5,693,555
Heritage Financial Corp.	194,590	5,993,372
HomeTown Bankshares Corp. (A)	174,720	1,923,667
Horizon Bancorp	269,724	7,498,327
Howard Bancorp, Inc. (A)(B)(C)	136,118	2,994,596
Independent Bank Corp. (MA)	173,570	12,123,865
Independent Bank Corp. (MI)	125,407	2,802,846
JPMorgan Chase & Co. (B)	203,805	21,794,907
KeyCorp	697,760	14,073,819
M&T Bank Corp.	117,579	20,104,833
Mackinac Financial Corp.	40,000	640,000
MainSource Financial Group, Inc.	185,504	6,735,650
MB Financial, Inc. (B)(C)	183,150	8,153,838
MidWestOne Financial Group, Inc.	31,763	1,065,013
MutualFirst Financial, Inc.	100,539	3,875,778
National Commerce Corp. (A)	71,147	2,863,667
Nicolet Bankshares, Inc. (A)	24,767	1,355,746
Northrim BanCorp, Inc.	99,739	3,376,165
Old National Bancorp (B)(C)	419,575	7,321,584
Old Second Bancorp, Inc.	202,363	2,762,255
Pacific Premier Bancorp, Inc. (A)(B)(C)	169,865	6,794,600
PacWest Bancorp	123,139	6,206,206
Park National Corp. (B)(C)	42,113	4,379,752
Peoples Bancorp, Inc.	122,945	4,010,466
Pinnacle Financial Partners, Inc. (B)(C)	108,000	7,160,400
Presidio Bank (A)	13,781	334,189
Prime Meridian Holding Company	83,010	1,826,220
QCR Holdings, Inc.	48,822	2,092,023
Regions Financial Corp.	701,530	12,122,438
Renasant Corp.	159,629	6,527,230
Sandy Spring Bancorp, Inc.	22,811	890,085
SBT Bancorp, Inc.	37,879	1,130,688
Shore Bancshares, Inc.	183,579	3,065,769
SEE NOTES TO FINANCIAL STATEMENTS		
	ANNUAL REPORT JOHN HANCOCK Financial Opportunities Fund	9

	Shares	Value
Financials (continued)		
Banks (continued)		
Simmons First National Corp., Class A (B)(C)	31,196	\$1,781,292
South Atlantic Bancshares, Inc. (A)	265,755	4,160,385
South State Corp.	82,030	7,148,915
Southern First Bancshares, Inc. (A)	131,586	5,427,923
State Bank Financial Corp.	53,182	1,586,951
Stock Yards Bancorp, Inc.	66,324	2,500,415
SunTrust Banks, Inc.	278,451	17,985,150
The Community Financial Corp. (B)(C)	32,029	1,226,711
The First Bancshares, Inc.	210,000	7,182,000
The First of Long Island Corp.	57,322	1,633,677
The PNC Financial Services Group, Inc.	146,047	21,073,122
Towne Bank (B)(C)	157,856	4,854,072
TriCo Bancshares	202,536	7,668,013
U.S. Bancorp	310,100	16,615,158
Union Bankshares Corp.	161,410	5,838,200
United Bankshares, Inc. (B)(C)	112,955	3,925,186
United Community Banks, Inc.	111,192	3,128,943
Washington Trust Bancorp, Inc.	123,905	6,597,941
Wells Fargo & Company (B)	229,099	13,899,436
Xenith Bankshares, Inc. (A)	2,905	98,276
Zions Bancorporation (B)(C)	265,769	13,509,038
Capital markets 2.3%		
Intermediate Capital Group PLC	336,897	5,201,982
KKR & Company LP	355,776	7,492,643
The Blackstone Group LP (B)	109,070	3,492,421
Consumer finance 0.7%		
Capital One Financial Corp. (B)	47,914	4,771,276
Insurance 0.5%		
Gjensidige Forsikring ASA	165,452	3,120,798
Thrifts and mortgage finance 6.3%		
BSB Bancorp, Inc. (A)		